Weekly Economic Review

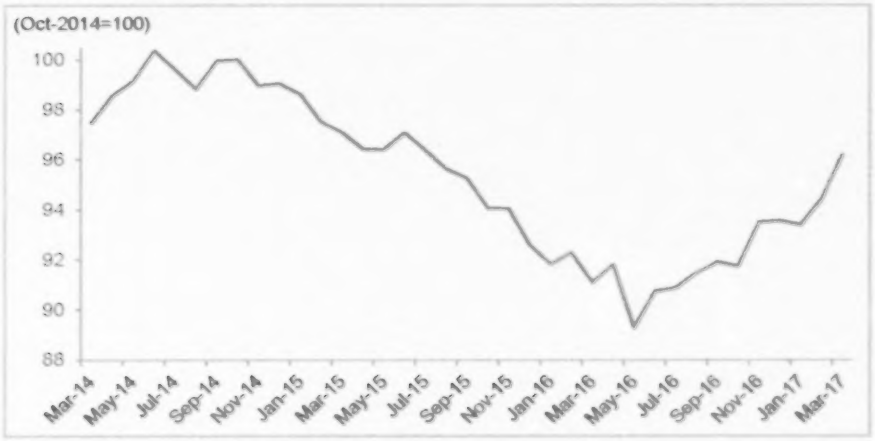
Alberta economy activity jumps in March

Alberta Activity Index

Business Activity shows signs of recovery

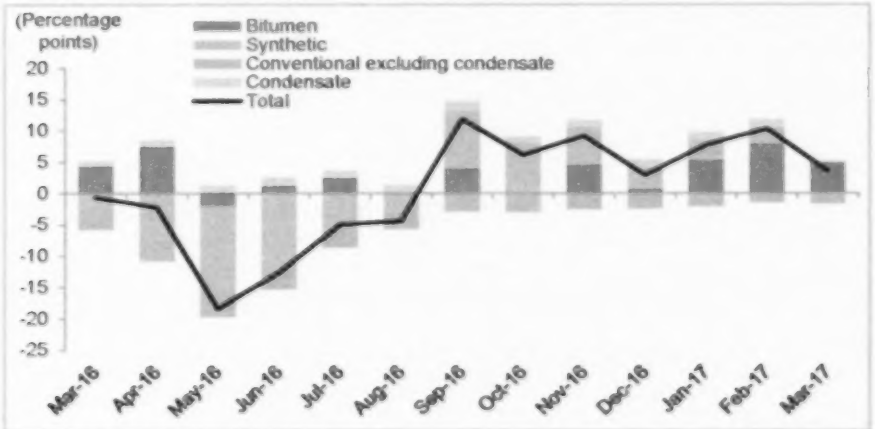
The Alberta Activity Index (AAX), which was developed by Alberta Treasury Board and Finance, indicates that the economy is building momentum. The AAX jumped 1.9% month-over-month (m/m) in March, building on steady improvements since bottoming out in May of last year. Since then, the AAX has grown 7.7%, recouping about half of the peak-to-trough losses seen during the recession. The AAX was up 5.6% from March of last year as a result of increased business activity, especially in the energy sector. Household activity also showed signs of resilience despite the elevated level of unemployment and lackluster earnings.

Chart 1: Alberta economic activity surges in March
Alberta Activity Index (AAX)



Source: Alberta Treasury Board and Finance

Chart 2: Alberta crude production remains elevated despite outage
Contributions to year-over-year growth



Source: Alberta Energy Regulator

Supply and Disposition

Outage weighs on oil output

After growing in four out of the last five months, oil production fell in March weighed down heavily by the explosion and fire at Syncrude's Mildred Lake oilsands facility. The explosion forced the early shutdown of the upgrader and led to a large drop in the production of synthetic crude (-16% m/m). The loss of production weighed down Alberta's total oil production (-6.8% m/m) which declined to 3.1 million barrels per day (mbpd). However, conventional production continued to strengthen (+1.3% m/m) for a fifth straight month. Compared to the previous year, crude production was up 3.6% primarily due to higher bitumen output (Chart 2).

Also affected by the explosion were Alberta's energy exports which fell 13% m/m in the latest April export data.

Metres Drilled

Metres drilled improves from lows

Alberta drilling activity in March continued to recover for the sixth month in a row. Total metres drilled declined from the prior month due to spring breakup, however it was up 197% year-over-year (y/y). Conventional drilling rebounded from the lows experienced in 2016, while metres drilled for bitumen doubled (107% y/y). Metres drilled for natural gas were up (141 % y/y) to reach the highest level for March since 2008.

Conversely, metres drilled per well has declined (-14% y/y) for seven months straight weighed down by the oil sector.

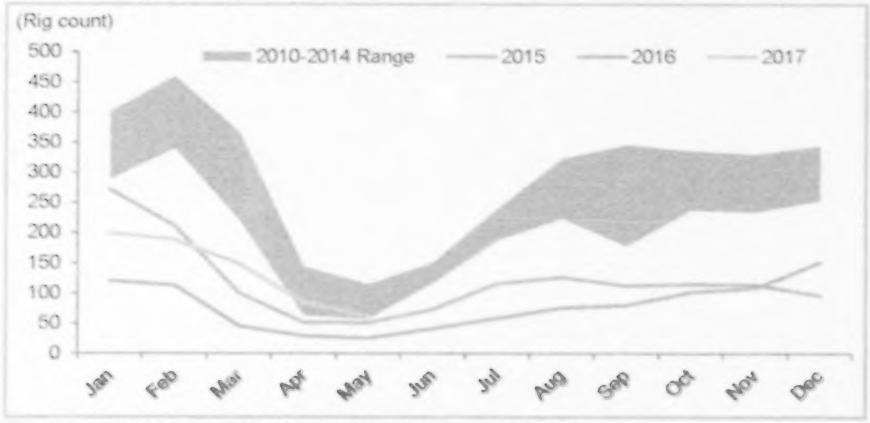
Rigs Drilling

Alberta Drilling activity holds above 2015 during spring break-up

Drilling activity in Alberta continued to surpass early 2015 levels despite the ongoing spring break-up. The number of active rigs declined 27% m/m and average 61 rigs in May. Despite the seasonal downturn, rigs activity grew 144% y/y and remained above the 2015 level for a third month in a row (Chart 3). The recovery of drilling activity in Alberta continued to outpace the rest of Canada where the number of rigs was up 127% y/y. In the US, drilling activity (+119% y/y) has steadily improved over the past 12 months to surpass the May 2015 rig count.

Chart 3: Active rigs remain above 2015 level

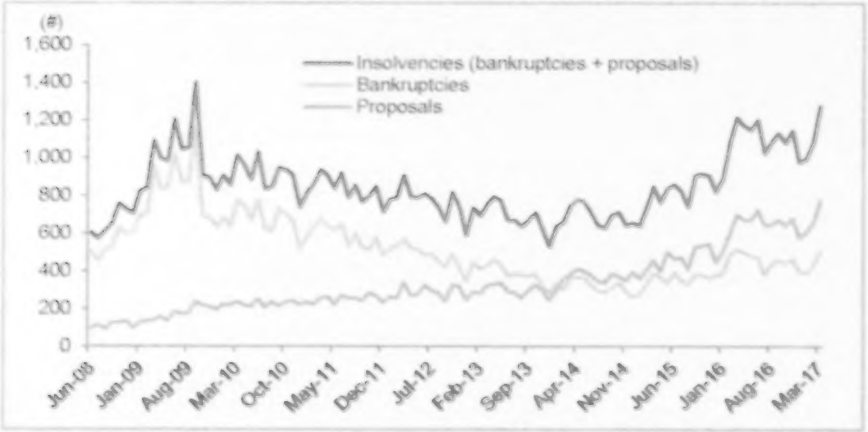
Number of rigs drilling for oil and gas in Alberta



Source: Canadian Association of Oilwell Drilling Contractors

Chart 4: Insolvencies near decade highs

Number of monthly insolvencies in Alberta, by type (not seasonally adjusted)



Source: Industry Canada

Consumer Bankruptcies

Insolvencies remain elevated

Total number of consumer insolvencies remained near its 2009 peak. On an unadjusted basis, 504 Albertans filed for bankruptcy in March, 78 more than in February, but remained 11 less from a year ago. The number of consumer proposals increased by 118 in March to reach 773, the highest since data collection started in 2007 (Chart 4).

Canadian GDP

Canadian economy picks up in Q1

The Canadian economy accelerated in the first quarter of 2017 led by strong gains in household consumption, investment in residential structures and business investment. Real GDP accelerated to 3.7% quarter-over-quarter (q/q) annualized rate up from a revised 2.7% in the previous quarter. Household consumption (+4.3% q/q annualized) accelerated to the fastest pace since the first quarter in 2010, while investment in residential structures (+16% q/q annualized) also accelerated and reached the fastest pace since early 2012. Furthermore, real GDP growth was supplemented by business investment (+12% q/q annualized) which has risen for the second time in the last ten quarters. However, growth was constrained by a drop in net exports as imports surged.

US Employment

US at full employment

US employment slowed but remained at full employment in May. US non-farm employment growth slowed to 138,000 compared to the average monthly growth of 168,000 for the first four months of 2017. The unemployment rate decline from 4.4% to 4.3%, a 16 year low due to consistent monthly gains and a decline in the participation rate.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.